
Minutes

Board of Natural Resources Meeting

March 4, 2008
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Doug Sutherland, Commissioner of Public Lands
Bruce Bare, Dean, University of Washington, College of Forest Resources
Daniel J. Bernardo, Dean, Washington State University, College of Agricultural, Human, and Natural Resource Sciences (via conference call)
The Honorable Jon C. Kaino, Commissioner, Pacific County
Bob Nichols, for the Honorable Christine Gregoire, Washington State Governor
The Honorable Terry Bergeson, Superintendent of Public Instruction

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:05 a.m. on, March 4, 2008 in Room 172 of the Natural Resources Building.

APPROVAL OF MINUTES

MOTION: Jon Kaino moved to approve the February 5, 2008, Board of Natural Resources Meeting Minutes.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

None

TIMBER SALES (Action Item)

Proposed Timber Sales for April 2008 (Handout 1)

Jon Tweedale, Assistant Division Manager, Product Sales & Leasing Division, approached the Board to provide the timber sales presentation. Mr. Tweedale reported that DNR saw a 25% - 30% up-bid in February. The Department beat the other players in the market when it sold the Northsider II, a large blowdown sale, for \$70/mbf.

February 2008 Sales Results:

17 sales offered & 12 sold; 74.1 mmbf offered & 58.3 mmbf sold; \$10.3 million minimum bid & \$13.8 million sold; \$191/mbf offered & \$237/mbf sold; average number of bidders = 2.7

Mr. Tweedale explained that in February DNR had a Forest Improvement Treatment (FIT) sale that included three different log sorts; two sold and one didn't. DNR is required to bring a sort back to the Board if the sort volume exceeds 20% of the total volume. In contract harvest sales that is an appropriate criterion; however, that criteria needs to be reviewed in forest improvement sales to determine if it's necessary. Mr. Tweedale explained that the Department is bringing the Belfair FIT Sorts sale back, and is confident that it will sell. This sort is a large FIT sale on the Tahuya Peninsula; it is the first treatment of several thousand acres to be treated on the Tahuya. DNR is pleased that it can treat the stand for overstocking and potential fire danger and still break even on the sale. The sale will be advertised for 10 days after the Board approves it and will be sold in March. Regular sales will be sold in April.

Proposed March 2008 Proposed Board Sale Addition:

Belfair FIT Sorts:

Sort #1 at \$46.00/ton

Proposed April 2008 Board Sales:

21 sales at 94.0 mmbf; \$16.9 million minimum bid; average \$176/mbf.

Mr. Tweedale explained that there are five sales that have not completed the Forest Practice Appeals (FPA) period, but will be complete before the sales go to auction making them fully compliant. There were no significant SEPA comments. One comment on Kanaka in the Columbia Gorge asked DNR to make sure it's compliant with the Columbia Gorge Scenic Areas, which it is.

DISCUSSION:

NONE

MOTION: Jon Kaino moved to approve the additional March and the regular April 2008 timber sales.

SECOND: Terry Bergeson seconded.

ACTION: Motion passed unanimously.

LAND TRANSACTIONS

Hockinson II - Direct Transfer #02-81479 (Handout 2)

Chair Sutherland introduced Zoanne Thomas, Asset Management Specialist, Pacific Cascade Region, to the Board. Ms. Thomas presented the Hockinson II Direct Transfer. DNR proposes to convey approximately 35.45 acres of Common School Trust property located in Clark County by direct transfer to the Hockinson School District. The proceeds from the transfer will be used to purchase replacement property desirable for the Common School Trust. Benefits to the trust from this sale are:

- Disposing of property that is inefficient to manage for revenue
- Enabling the replacement of the trust asset with property that has greater potential for increased revenue production and other possible benefits.

The property is located approximately 10 miles northeast of the city of Vancouver and is within Section 16, Township 3 North, Range 3 East, W.M., in Pacific Cascade Region. There are no state-owned improvements on the property. The present income from the property is \$2,310 per year for a Christmas tree lease on a portion of the property. The market value is \$1,040,000 including \$38,000 for 92 Mbf of timber. The terms of the sale are cash. The transfer is authorized by RCW 79.17.200. The current Christmas tree lease will not be cancelled. Conveyance of title will be by quit claim deed. Mineral rights will be reserved in the Common School Trust.

DISCUSSION:

NONE

MOTION: Terry Bergeson moved to approve Resolution 1251.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Hoh Valley – Trust Land Transfer #02-081694 (Handout 3)

Steve Saunders, Asset Management & Protection Division Manager, approached the Board to present the Hoh Valley Trust Land Transfer. DNR proposes to transfer 160 acres of Common School Trust property located in Jefferson County to the Hoh Tribe. The land value proceeds will be deposited to the Real Property Replacement Account and used to purchase replacement property desirable for the Common School Trust. The property asset base of the Common School Trust is improved by:

- Disposing of property that is inefficient to manage for timber harvest income.
- Disposing of an isolated ownership geographically separated from other trust holdings.
- Enabling replacement of the asset property that has potential for income production to provide future revenue to support public schools statewide.

The property is located approximately 15 miles south of Forks, in Jefferson County, within Section 28, Township 26 North, Range 13, West, W.M., in Olympic Region. There are no encumbrances, improvements or present income associated with this property. The market value is \$740,000 in land and reproduction. The property is included in the 2007-2009 Biennium Trust Land Transfer Program. Approval and funding for the transfer is authorized by Washington Laws of 2007, Ch. 520, Section 3204 and RCW 79.17.200. The transfer will be by quitclaim deed. Mineral rights will be retained by the Common School Trust. As specified by legislation, permitted public use will be restricted to fish and wildlife habitat, open space, or housing and essential government services.

DISCUSSION:

Mr. Saunders explained that this transaction will mark the first transfer through the Trust Land Transfer Program to a tribe. The Hoh Tribe recently purchased land along Highway 101 adjacent to this parcel. The transfer was moved up in priority due to flooding issues at the mouth of the river. The Tribe's housing and tribal services buildings are in that area and are

susceptible to flooding and changes in the river course. The area is also in a tsunami zone. The Tribe is anxious to relocate their housing and essential government services out of this at-risk area.

Terry Bergeson asked if the at-risk area is coastal.

Mr. Saunders replied that was correct.

Mr. Kaino asked if the Board of County Commissioner's had been notified.

Mr. Saunders replied that all 3 county commissioners were sent a letter of notification on February 13, 2008. DNR has not received any comments back.

Chair Sutherland explained that this parcel is one that Senator Hargrove suggested be added to the Trust Land Transfer Program.

MOTION: Terry Bergeson moved to approve Resolution 1252.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Camas Meadows – Trust Land Transfer #02-081471 (Handout 4)

Steve Saunders, Asset Management & Protection Division Manager, presented the Camas Meadows Trust Land Transfer. DNR proposes to transfer approximately 650 acres of Common School Trust property located in Chelan County to Natural Area Preserve (NAP) status. Proceeds from the timber value will be deposited into the Common School Construction Account. The land value proceeds will be deposited to the Real Property Replacement Account and used to purchase replacement property desirable for the Common School Trust. The property asset base of the Common School Trust is improved by:

- Disposing of property that is inefficient to manage for timber harvest income.
- Enabling replacement of the asset with property that has greater potential for income production to provide future revenue to support public schools statewide.
- Public trust benefits include transferring property with significant ecological value to the Natural Area Preserve Program.

The property is located approximately 3 miles southwest of Dryden, and 12 miles northwest of Wenatchee, within Section 16, Township 23 North, Range 18 East, W.M., and Section 21, Township 23 North, Range 18 East, W.M., in Southeast Region. Encumbrances include road easements granted to Peshastin Forest Products, Inc., Idaho Pine Timber Associates, and Longview Fibre Co., as well as three water right easements for springs. There are no improvements or income associated with this property. The market value of the property is \$359,000 in timber and \$1,105,000 in land & reproduction for a total value of \$1,464,000. The terms of the transfer are cash. The property is included in the 2007-2009 Biennium Trust Land Transfer Program. Approval and funding for the transfer is authorized by Washington Laws of 2007, Ch. 520, Section 3204 and RCW 79.17.200. Transfer will be by Department Order.

Mineral rights will be retained by the Common School Trust in Section 16 only. Minerals in Section 21 are not state-owned. As specified by legislation, permitted use will be restricted to Natural Area Preserve purposes. DNR will reserve the property as Permit Lands as defined in the Department's Habitat Conservation Plan.

DISCUSSION:

Mr. Saunders explained that the property will be held and managed for protection of threatened and endangered rare plant species. There are two species in particular on the property, one endangered federally listed species and the other a state threatened species.

Terry Bergeson asked if this property is difficult to manage because it's separated from other properties and the value of the NAP.

Mr. Saunders replied that the parcel consists of mostly unproductive land and is not contiguous with any existing blocks, which creates additional management costs. The property contains both wildlife habitat and species of concern.

Mr. Nichols inquired if the property was on the priority list for NAP.

Mr. Saunders referred to his presentation to point out a map of the NAP and the areas of the plant population. By acquiring the NAP designation it will allow for expansion of the NAP and further protection of the species.

Mr. Kaino asked why the property can't be designated as an NRCA (Natural Resource Conservation Area).

Mr. Saunders replied that the decision on this parcel was made because the plant species would be better protected as an NAP, and it's adjacent to an existing NAP. The property has little value or recreational use.

Mr. Kaino stated that there is no danger of disturbing the plant species if it's not an NRCA.

Mr. Saunders replied that an NRCA next to an NAP is more difficult to manage because of competing management scenarios.

Mr. Kaino suggested that it would be easier to make the entire area an NRCA.

Mr. Saunders stated that the adjacent parcel is already in NAP status; DNR would have to change an NAP to an NRCA and he is not sure the Department has done that.

Mr. Kaino replied that doesn't mean it can't be done.

Mr. Saunders replied that due to its location the parcel doesn't offer the recreational amenities or educational opportunities needed to change the status to an NRCA. Also, the Department is attempting to protect a federally endangered species which are already protected in the

adjacent NAP; this expansion makes sense from a management standpoint for conservation purposes.

Terry Bergeson asked if any decisions made by the board today could be revisited.

Mr. Saunders replied that it would be difficult to come back and reduce the level of protection from an NAP to an NRCA.

Bonnie Bunning, Executive Director of Policy & Administration, approached the Board. Ms. Bunning explained that the Natural Heritage Council is an advisory body to the Department that recommends establishment of NAP's or NRCA status based on the needs of the element being protected. The Council goes onsite and looks at the qualities that need protection and decides how they would best be protected. This was their recommendation, not DNR's decision.

Mr. Kaino stated that he believes that DNR must have good reasons why it's removing public access; NRCA's allow public access. His experience is that the NAP's in his county should be NRCA's. He recalled a prior dispute about an NAP in Gray's Harbor County, and voting in favor of a recent NAP in the Tacoma watershed due to water quality and access issues. He stated that he has to be strongly convinced to withdraw public access and that he is opposed to the NAP program for those reasons.

Mr. Nichols stated that these programs are set up by statute and that there is a statutory criterion that determines them. He asked Ms. Bunning if the Board is constrained in its flexibility to engage in that issue without statutory changes.

Ms. Bunning explained that the NAP program has been in existence for approximately 30-35 years and the NRCA dates back to the late 80's; they are meant to be specific. The NAP is the most protective category and would typically be applied when there are rare plants and certain animals for which any type of invasive species or trampling could be problematic for their survival. An NRCA would provide that protection and low-impact recreation access to the public in larger areas that provide a habitat type that is less sensitive. The Natural Heritage Advisory Council works through those criteria and processes. The Council produces a report every two years that reviews the ranking of the plant species; sometimes they are ranked more at threat and sometimes less of a threat. The information is kept current so DNR is not overprotecting or under protecting a species.

Mr. Kaino stated that there is no objective litmus test that determines whether a parcel should be designated an NAP or NRCA, but rather is a subjective evaluation through a process that can be manipulated depending on what specific interest groups would like to see. He would like the default to be an NRCA status requiring a clear and objective litmus test before removing public access. He stated that many of the NAP and NRCA management plans have not been written or kept up to date, and many of the counties are not clear about what they are allowed to do. Mr. Kaino stated that he feels there is too much ease in telling the public that the Department is going to spend taxpayer money on this for their good, and then restrict their access.

Mr. Bare suggested that the Board be given a presentation on NAP's & NRCA's that includes a statewide review of criteria, how they are being managed, and how many have management plans in place.

Chair Sutherland agreed that a presentation is a good idea.

Terry Bergeson said that conflict situations arise when there is not a clear procedure that can be looked at objectively in a way of assessing against the process. Ms. Bergeson stated that she would appreciate a clear dialogue to differentiate between the two.

Mr. Nichols asked if this is a formally listed ESA designated plant.

Mr. Saunders replied he believed the plant is an endangered species.

Bob Nichols stated he would like to approve Resolution 1253 as written with the understanding that the Board will be provided with a presentation on the procedures and criteria of both the NRCA and the NAP programs at the next meeting.

Bonnie Bunning replied that the Department would be glad to provide the requested information. Ms. Bunning acknowledged Mr. Kaino's frustrations with "access and no access" and stated that the Department is working on those issues.

Steve Saunders said that DNR has several other NAP's and NRCA's on the Trust Land Transfer list this biennium, and the Department will provide the Board with a briefing before they are presented to the Board for approval.

Chair Sutherland asked Ms. Bunning if staff could present the information in May.

Mr. Kaino said he would not be present at the May BNR meeting.

Chair Sutherland requested that the NAP/NRCA presentation be made at the June BNR meeting.

Ms. Bunning agreed to the June presentation.

MOTION: Bob Nichols moved approval of Resolution 1253 as written with the understanding that the Board will be provided with a presentation on the procedures and criteria of both the NRCA and the NAP programs at the June BNR meeting.

SECOND: Bruce Bare seconded.

ACTION: The Board voted 5 in favor and 1 opposed.

Whiskers – Land Transfer #T3-072534 (Handout 5)

Debi Van Buren, Program Manager, Asset Management and Protection Division approached the Board to present the Whiskers Land Transfer. DNR proposes to convey by direct transfer to Monty Schnider, 0.47 acres of State Forest Board Trust Property located in Clark County. The proceeds from the transfer will be used to purchase replacement property desirable for the State Forest Board Trust. The property asset base of the State Forest Board Trust is improved by:

- Eliminating an unauthorized use on trust land, and
- Enabling the replacement of the trust asset with property that has greater potential for increased revenue production and other possible benefits.

The property is located approximately 4 miles north of Camas and is within Section 11, Township 2 North, Range 3, East, W.M., in Pacific Cascade Region. There are no state-owned improvements on the property. There is no present income associated with this property. The market value of the property is \$18,800. The terms of the sale are cash. The transfer is authorized by RCW 79.22.060. Conveyance of title will be by quitclaim deed. Mineral rights will be reserved in State Forest Board Trust.

DISCUSSION:

Ms. Van Buren explained that Mr. Schnider purchased the property in 1994; he moved his mobile home and built his structures on the property in 1997. In 1999 DNR surveyed the boundary between the private land and the state land and discovered that Mr. Schnider had placed approximately a third of his mobile home, all of his garage, and a portion of his well on state trust land. At that time he was financially unable to resolve the trespass. The resolution will convey 0.47 of an acre to resolve the trespass. Mr. Schnider has begun clearing a portion of the trespass that the Department has elected not to convey to him. DNR will place carsonite posts along the boundary to clearly mark the boundary lines and prevent any further confusion.

Mr. Kaino asked if the Department is conveying 0.47 of an acre, not 4.47 as read in the handout that was given to the Board.

Ms. Van Buren confirmed the 0.47 of an acre figure and acknowledged that there is a typographical error in the handout.

Mr. Nichols asked why the Department didn't include the smaller parcel that Mr. Schnider has started to clear out.

Ms. Van Buren replied that DNR does not typically sell land to be used for vehicle storage, and Mr. Schnider could not afford to purchase the additional piece.

Mr. Nichols asked if Mr. Schnider had cleared some of the Department's property.

Ms. Van Buren explained that Mr. Schnider claims that the property was cleared by the developer of the 5 acres, however, Mr. Schnider does have equipment that could be used to clear land and aerial photos do show some further encroachment over time. The Department does believe that Mr. Schnider has cleared some of the land.

Terry Bergeson asked for clarification on the purchase details and the payment.

Ms. Van Buren explained that Mr. Schnider has already paid \$9,000 which covered the administrative costs including the survey, and he has already pre-paid the \$18,800 for the land.

Dan Bernardo stated that these trespass issues are one of his pet peeves and asked to what extent the Department is communicating to the public, with these agreements and sales, that the means to obtain property is to trespass and then arrive at one of these deals. Mr. Bernardo asked what percentage of these situations result in a sale that comes before the Board and what percentage does DNR take some other action on.

Ms. Van Buren replied that in her experience the rate is roughly 50/50 resulting in a transaction or a move. The Department does not always look at a sale as the best or first option. Many of the trespasses are roads and DNR simply asks the trespassers to move them; if they are sheds or buildings the trespassers are asked to relocate their buildings.

Mr. Bernardo asked if the calculated administrative costs are true costs or if DNR is only counting the cost of the survey, etc.

Ms. Van Buren replied that the Department looks at the survey, appraisal, recording, and staff time, as well as all fees included to resolve a specific trespass. Part of the settlement agreements state that the Department will add an additional amount to cover all costs included in the administrative fees that it collects.

Mr. Nichols recalled a briefing on this issue that was given to the Board within the past year and a half.

Chair Sutherland asked Steve Saunders to provide Dan Bernardo with that information.

Mr. Bernardo stated that if he was provided with the date of the briefing he would look it up.

Chair Sutherland acknowledged Mr. Bernardo's request.

MOTION: Terry Bergeson moved to approve Resolution 1254.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Management Fund & Revenue Expenditures (Handout 6)

Bob Van Schoorl, Budget and Economics Director, approached the Board to provide a follow-up to the management fund and revenue expenditures presentation from last month. Mr. Van Schoorl explained that the June forecast was based on the prices from May 2007, which were just below \$341. The Department was forecasting in an upward trend of prices at that time, the trend reversed in August with a high of \$409, those numbers are now down to \$235 for sales in

February. DNR is experiencing a downward turn due to the economy and the impacts of the housing market. Mr. Van Schoorl provided a comparison of the forecast from June 2007 to February 2008, which reveals that the Department is down \$85 million in timber sales. DNR is down 180 mmbf in timber removals, creating difficulty maintaining revenue at this time since revenue received is based on timber removals. Mr. Van Schoorl reviewed the fund balances for RMCA and FDA as of last fall when the 28% management fee was recommended. In June it appeared there would be an \$18 million dollar ending fund balance, however, the Department is now showing a negative fund balance at the end of the biennial period on June 30, 2009. The FDA has dropped from a \$10 million fund balance to a \$5.8 million fund balance. The 1997 resolution states that if the minimum fund balance drops below the 6-month operating reserve the management fee would automatically increase from 22% to 25%, the Department anticipates that increase during the fiscal year 2009. The ending fiscal balance at the end of this fiscal year is projected to be \$8.2 million which would be below the minimum fund balance. The Department is recommending that the Board take action instead of DNR automatically implementing it.

Jon Kaino inquired if the Board can take the action earlier than the automatic implementation.

Mr. Van Schoorl replied that was correct. If the Board does take the action today the RMCA would have an ending fund balance of \$3 million and would still be \$6.5 million below the minimum fund balance. The Department has already initiated action to reduce expenditures and is in the process of implementing those reductions now. The FDA is in better shape and would have \$8.6 million which would be above the 3-month minimum fund balance of \$7.2 million. Any budget reductions that are implemented in the RMCA would generate savings in the FDA since most of the Department's programs are funded with a combination of RMCA and FDA dollars and are usually based on acreage or some other on the ground factors.

Terry Bergeson asked Mr. Van Schoorl to expand on his comments about reductions in the RMCA generating savings in the FDA.

Mr. Van Schoorl explained that for example the Product Sales & Leasing and Land Management programs set up a 5% expenditure reduction based on specific factors. Generally there is a split such as 55% RMCA, and 45% FDA. If the Department were to reduce expenditures in a program and unless the reductions were based on a specific activity based on a specific trust, it would be a reduction to the RMCA and FDA. In order to get the savings needed in the RMCA, savings would automatically be generated in the FDA.

Jon Kaino stated that the projections must be very difficult to predict right now. He asked if the market continues as it is now if the increases may not be enough.

Mr. Van Schoorl stated that the Department will review the numbers after the March sales to determine what needs to be done relative to expenditures.

Terry Bergeson asked what the Department's cost saving exercise is.

Mr. Van Schoorl explained that the Department has looked at what money it has in reserves, and has asked each program in Bruce Mackey's divisions, Product Sales and Leasing, Land Management, Asset Management and Protection, and Engineering to prioritize reductions in tiers 1, 2, 3, and 4. As of last week the division had implemented the reductions in tier 1 and 2.

Terry Bergeson asked Mr. Van Schoorl to explain the tiers.

Mr. Van Schoorl explained that the tiers are priorities, for example, priority 1, priority 2 etc. The programs looked at their ongoing projects and determined the things they could cut or reduce expenditures on without impacting the harvest and/or other contractual requirements.

Terry Bergeson stated that she did not understand what that means in relation to people's work.

Mr. Van Schoorl replied that the Department can provide Ms. Bergeson with a list of the reductions. Some items from the list include studies that can be deferred, staffing vacancies that won't be filled, a hiring freeze, and reducing staff in programs with little activity. The Department's priority is to keep the harvest going.

Bruce Bare asked if the FDA fee is raised to 25% effective March 10th if the projection on June 30, 2009, would put the fund balance a little over \$1 million over the 3-month, or 6-month minimum fund balance.

Mr. Van Schoorl replied that it would be the 3-month minimum fund balance.

Mr. Bare asked if the 3-month minimum fund balance also applied to the RMCA, and if it's raised to 30% on March 10th if the fund balance would still be below the 3-month minimum fund balance. Mr. Bare asked Mr. Van Schoorl what assumptions are made in the RMCA and FDA projections in terms of the reductions in cost, or if assumptions in cost were made.

Mr. Van Schoorl replied that the current numbers reflect no reductions in cost. The operating and capital expenditures are listed at the appropriation level, in order to get the negative \$6.5 to a positive, the Department will have to reduce either operating or capital expenditures, it can't reduce the transfers. If the numbers showed the projected expenditure reductions, they would show an additional \$246,000 in addition to the \$3.1 million.

Bruce Bare asked if that was self-imposed and if there is a legislative mandate.

Mr. Van Schoorl replied that it is self-imposed. He explained that the Department generally keeps 3-months in all funds except for a couple of statutory funds. OFM also keeps 3-months in their balance books.

Chair Sutherland explained that in 2001 when the Department realized that it was going to be in the red, below any fund balance, it began a significant cost-reduction program lasting two years, which reduced overall staffing from in excess of 1700 to 1497. DNR is currently looking at tightening up spending in current programs, not filling current vacant positions, and by moving

staff to programs that have vacant positions that are paid for by funds other than the RMCA and FDA. The Department is managing this situation very carefully and is taking any opportunity to reduce expenditures. For example, Chair Sutherland typically travels to Washington DC each spring; he is not doing that this year. Chair Sutherland explained that the Department will minimize personnel impacts because when personnel are reduced the ability to produce is reduced.

Bruce Bare asked if the Department's intention is to reduce costs to eradicate the \$6.5 million.

Chair Sutherland stated that was correct.

Terry Bergeson stated that in the future when an increase is necessary she would like the Board to have a parallel set of policies that gives the Department permission to use available resources to implement cost savings. Ms. Bergeson would like DNR to present the Board with a plan that lays out what the cost saving implementations do to the existing fund balance.

Bruce Bare stated that the original resolution said 6-months and asked if that would be changed if the Board adopts the resolutions.

Mr. Van Schoorl replied that prior to the 1997 resolution the FDA was operating at 3-months, the resolution created an exception. When the resolution is cancelled it goes back to 3-months.

Mr. Kaino recalled that he was in the group of county commissioners that approached the Commissioner at the time. The fund balance was high, an agreement was made that the management fee on the FDA would be lowered from 25% to 22%, even then there was a general policy of a 3-month operating reserve, the 3-months was doubled with the option to kick it back to 25% if it got below 6-months. Mr. Kaino stated that this is not changing the intent of the original 1997 resolution.

Bruce Bare suggested that the Board make that clear, so that if someone looks at the resolution 5 years from now they'll understand that.

Mr. Kaino stated he feels it is clear.

Bruce Bare replied that more could be added to the sentence in section 1, where the Board authorizes the Department to reinstate the 25% management fee and the 3-month minimum balance.

Mr. Kaino stated that he didn't think there is anything shown in resolution form mandating 3-months even in the RMCA. The Board is acknowledging that the balance is sure to fall below the 6-months and therefore the fee is going up. There is no clause in either resolution mandating the 3-months; this is an internal department policy.

Bruce Bare replied that the previous resolution said 6-months.

Bob Van Schoorl stated that it read 6-months to provide a trigger.

Bruce Bare said that it could be interpreted that we are moving the fee to 25% and keeping it at 6-months.

Terry Bergeson agreed that would be the case if you didn't know the background.

Jon Kaino stated that the 6-months was simply a trigger to go from 22% up to a maximum of 25%; that was the trigger that could change the fee percentage. He said that the 3-month has never been addressed in any resolution, it is Department policy, and DNR could change its mind tomorrow and say it wants 1 month, or 9 months. Mr. Kaino asked Chair Sutherland how he felt about putting language in the resolution that tells the Department what it can do with the fund balance.

Chair Sutherland replied that it would be uncomfortable.

Terry Bergeson stated that she feels that Chair Sutherland is holding the Department more stringent than what the resolution calls for and she is confused about why Bruce Bare is pursuing his question.

Bruce Bare explained that as Mr. Van Schoorl was going through the chart he mentioned that the minimum fund balance was 3-months; it confused him because he thought it was 6-months for the FDA.

Mr. Kaino stated that he has spoken with all the timber county commissioners. The ones that are impacted by the misunderstanding would be the counties in the FDA. He is confident that they all understand this and that they understand the resolution of 1997 and that the fund balance has been reduced. Mr. Kaino stated that he doesn't think they anticipated in 1997 that the fund balance would start dropping as fast as it has over the last 12 to 24 months, but they are all understanding of that fact, and at a meeting in Walla Walla they voted in favor of Mr. Kaino voting in favor of increasing the fee prior to reaching the 6-months, since it was dropping so rapidly.

Terry Bergeson stated that she is still not clear about what she is voting on. Ms. Bergeson reiterated that she understands that the Board would be authorizing the fee increase based on the 3-month fund balance for both accounts and the Board will be looking at this again in 3-months.

Chair Sutherland stated that was correct.

Terry Bergeson asked Mr. Van Schoorl if the Department reports semi-annually if the Board will receive a report for two quarters six months from now.

Mr. Van Schoorl replied that the next report will be in June. Because of the short legislative session the quarterly forecast falls in February instead of March. The Board will be provided with an update on the numbers and the changes in the operating expenditures in June.

Mr. Kaino asked what the cuts do to the \$1.33 million in the FDA.

Mr. Van Schoorl replied that there is a potential to make a \$2 million difference.

Mr. Kaino asked given that fact if there is the potential that the Department may not need to go up to 25%.

Mr. Van Schoorl replied that would not be the case this year but would be in the next biennium.

Terry Bergeson said that the report will be in June and asked if this is the way the wording should be kept in the resolution.

Chair Sutherland stated that he saw no reason to change the resolution.

MOTION: Jon Kaino moved to approve Resolution 1255.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

MOTION: Bruce Bare moved to approve Resolution 1256.

SECOND: Terry Bergeson seconded.

ACTION: Motion passed unanimously.

CHAIR REPORTS

Chair Sutherland explained to the Board that DNR staff have been working closely with the Governor's Task Force and all other appropriate agencies on the December 2007 storm damage cleanup efforts. The Task Force had been meeting weekly, and is now meeting semi-weekly. DNR began its first significant removal of wood from streams yesterday. He invited Eric Schroff to update the Board members on the Department's progress.

Storm Damage Update (Handout 7)

Eric Schroff, Pacific Cascade Region Manager, greeted the Board and began the storm damage update presentation. The update covered the Blowdown Project, Roads and Infrastructure Repair, and the In-stream and Agricultural Wood Removal Projects. Mr. Schroff reported that the "Blowdown District" is in place and functioning well. There are 14 full-time foresters working in the District. Local DNR staff and others from across the state have helped in the efforts; a staff member from the DNR Land Management Division spent two weeks conducting the old-

growth screening on the entire blowdown area. Five foresters from Southeast Region each spent 2 weeks in Pacific Cascade Region, and the Department plans to continue using those resources. DNR has focused its biologists and geologist's attention on the blowdown area in an attempt to complete the assessments as quickly as possible so the individual timber sales can move forward. Mr. Schroff showed slides of the recovery of blowdown timber primarily in Lewis and Pacific counties. The current blowdown volume estimate remains at 100 mmbf, which is an estimate; the cruising on the sales has not been done. Mr. Schroff reported that fieldwork is ahead of schedule and on budget and that most of the pre-sales work will be done by April. There are 23 new blowdown sales: 10 region, 12 board, and 1 small, direct sale that is associated with an access route that was opened. The board sales will be offered in June–August.

Chair Sutherland reminded Mr. Schroff that there is no August BNR meeting due to the annual retreat.

Mr. Schroff corrected his statement saying that the board sales would be offered in June–September. He stated that they may be able to get the sales ready by July, but a few may trickle into September.

Mr. Kaino asked if the Board should consider a special meeting to approve blowdown sales.

Mr. Schroff replied that DNR will know more as they get closer to wrapping up the sales.

Mr. Kaino asked if it is reasonable to expect the sales will be harvested by the winter if they are sold in September.

Mr. Schroff replied that the Department is doing its best to meet the market need and harvesting period.

Terry Bergeson stated that she understood Mr. Kaino was trying to make it easy on the region by tentatively having the option for a special meeting for timber sales.

Mr. Kaino suggested that the Board could vote to move the sales by phone conference. He said he is concerned that the sales that are sold in September aren't going to bring a lot because the bidders won't be able to get to them right away, and then they will have to assess the impact of the logs lying on the ground through the winter. Mr. Kaino stated that the current market is not strong and the Department already has significant no-bids on its timber sales. He asked what will happen if nobody bids on these sales after staff does all this work to get them to the auction.

Mr. Schroff replied that the notion of a special board meeting may be something the Department might want to look at. He explained that as the pre-sales work is completed there is a timeline and planning process that indicates when board approval is needed based on the SEPA process, and making sure the forest practice permits are in place. Once those things are in place if it looks like there is an opportunity to move a sale forward, but it would require action by the Board, the region would make that request.

Jed Herman, Division Manager, Product Sales and Leasing Division, stated that the Division will determine what the sales are, then come up with the best scenario ensuring all the process steps are met while not jeopardizing the harvest. The Department will do the best it can with whatever market conditions are in place when the sales are sold.

Mr. Kaino asked if there had been any discussion about what would happen if the sales aren't sold, and if the timber would be left lying.

Jed Herman stated that leaving the timber on the ground is not an option at the moment. Mr. Herman explained that while a no-bid sale on green standing timber allows the benefit of making a decision over again on value, with blowdown there is an obligation to capture the value for the trusts, as well as selling and harvesting it now for silvicultural reasons.

Terry Bergeson stated that she understood Mr. Herman's comments to mean that the sales from the blowdown timber will take priority.

Mr. Herman agreed.

Mr. Schroff stated that the Department needs to get to the blowdown timber as early as possible to help gain any available "early-mover" advantage, and to avoid the deterioration of the timber. DNR needs to restore those sites and get these highly productive forests growing as soon as possible. Mr. Schroff explained that he is reasonably confident that the product will move because it will be offered at a very reasonable cost.

Chair Sutherland explained that buyers know that they need to move the wood quickly because of the degradation process. He also stated that if the Department feels it is viable to ask for a sale to move mid-month the Board will be contacted.

Mr. Schroff commented on the multi-agency cooperation that has taken place during this process.

Mr. Schroff reported that the road and infrastructure repair project is on schedule. A few roads remain isolated due to snow or blown out culverts or bridges, replacement bridges are being engineered.

Jon Kaino asked how many bridges were lost.

Mr. Schroff replied that the Department lost 2 major bridges, 3 smaller bridges, and a number of culverts as well as sections of road. DNR has adjusted haul routes for some existing timber sales. The region has worked with the purchasers of those sales making sure they had ways to get the timber out of the woods.

Mr. Schroff moved on to focus on the in-stream and agricultural wood removal portion of his presentation. He explained that the priority of the in-stream and agricultural wood removal

project is the removal of in-stream accumulations and the removal of woody material from agricultural fields. DNR staff has identified 4 significant debris jams that present potential hazard or risk to downstream property owners, or infrastructure of the state. It has been determined that 3 of the 4 need to be addressed and DNR is taking the lead on those efforts.

Terry Bergeson asked if they have to be careful not to re-flood everything.

Eric Schroff replied that the water level has dropped enough that it is not presenting a flooding problem, but the Department is concerned with the "spring freshet." Other concerns are the potential for another snow melt or rainfall event remobilizing the material.

Bob Nichols asked Mr. Schroff to explain why all 4 debris jams are not being addressed.

Eric Schroff explained that the debris jam they are not taking action on is Rogers Creek on Weyerhaeuser ground south of Pe Ell. The area is isolated because the roads blew out in the storm, leaving no road access and a tremendous accumulation of material in the stream channel. A final work plan has not been completed for that area. The water level has dropped in Rogers Creek and has found its way through that jam; it has been determined that of the four accumulations identified, this was the lowest priority.

Eric Schroff stated that there has been excellent cross-agency cooperation. DNR needs Hydrologic Project Approval's (HPA's) to deal with these, and Fish & Wildlife has been very helpful. The Department dealt with Emergency Management to get approval to do some of the contracting that needed to be done, and that was forthcoming. The Governor's Task Force has made access to the decisions that need to be made easier. There are 10 to 12 agricultural landowner projects anticipated. DNR has taken the lead in removing the woody materials from those fields. The project is designed so that it will be of no cost to the landowners. He reviewed several slides of debris removal sites. The slides showed the complexity of cleaning up the sites. Several of the slides showed an area where in-stream accumulations will be removed by helicopter.

Terry Bergeson requested that the Board send a letter of thanks to DNR staff and other agencies that have cooperated in the storm recovery efforts.

Chair Sutherland agreed saying he would prepare the letter.

Mr. Kaino asked if the woody debris on the agricultural fields belongs to DNR.

Mr. Schroff replied that DNR is entering into rights-of-entry agreements with landowners for the material on the fields. The landowners must agree that any material the Department removes from their agricultural fields belongs to the state. DNR will remove that material and sell as much of it as it can, and any revenue gained will help offset the cost of removal. DNR is not asserting ownership of the log jam removals at this time, with the exception that any materials that meet specifications for large woody material recruitment or placement will be marked and used for salmon recovery stream enhancement in other areas.

Chair Sutherland stated that he has reported these issues to the Governor and legislative staff and explained to them that there is no budget, no statutory authorization, and no appropriation but DNR is taking action anyway. Chair Sutherland has assured them that DNR will keep detailed records of the costs to the Department, and it will try to keep those costs within reason. DNR will submit a supplemental budget request in the fall for reimbursement of those costs. This situation is above and beyond any that the Department has been involved in before. One good thing that has come of this is that many other agencies are beginning to realize that this is not going to be the last significant event, whether it is a weather event or an earthquake. Agencies need to start thinking about how they can react as quickly as possible to alleviate issues that the public faces when something like this storm happens. Chair Sutherland said that agencies have begun to compile checklists mapping out who has what, how it gets supplied, how to deal with the extra expenses, how to meet the obligations of federal reimbursement, and all the declarations that are required. Chair Sutherland commended Eric Schroff and his staff for all their hard work.

Mr. Schroff replied that it is a privilege to be able to help.

Terry Bergeson replied that it is a privilege to work with such skilled staff.


PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

Bob Dick, from the American Forest Resource Council approached the Board. Mr. Dick reported that the whole industry is going through the same exercises that the Board went through today. The list of mill curtailments is two pages long, and is causing a restricted chip supply from the residual from the saw mills and plywood mills, etc. The demand and price for chips is much higher than it has been in the past which is good news for the blowdown sales. Mr. Dick applauded Mr. Kaino's comments on NAP's and NRCA's and referred to the Elk River NAP in southwestern Gray's Harbor County, which was created 12–13 years ago, as an example. The area is now restricted to public use. Mr. Dick shared that he used to live and play in that area; as a child he duck hunted there and as a professional forester he worked there. Within that preserve, or very close to it, is a saw mill that draws barge traffic; incoming and outgoing lumber schooners, wharves, well roads, and all the things that pertain to a major sawmill operation. He does not argue that it is a beautiful area, but does not feel that it is pristine enough to warrant a no trespassing sign. He looks forward to further discussion on the NAP vs. NRCA designation issue.


Meeting adjourned at 10:55 a.m.

Approved this 1st day of April, 2008

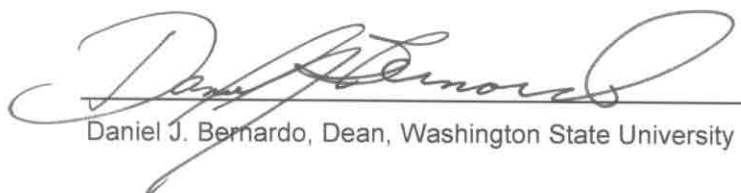

Doug Sutherland, Commissioner of Public Lands


Bob Nichols for Governor Christine Gregoire


Terry Bergeson, Superintendent of Public Instruction


Jon C. Kaino, Commissioner, Pacific County


Bruce Bare, Dean, University of Washington


Daniel J. Bernardo, Dean, Washington State University

Attest:


Bonita Hill, Board Coordinator